G.N. 7606

Notice under Sections 204 and 205 of the

Securities and Futures Ordinance

Cap. 571 (Ordinance)

It appears to the Securities and Futures Commission (**Commission**), for the reasons set out in the Statement of Reasons of even date, that the Commission should exercise the powers conferred by sections 204 and 205 of the Ordinance.

THE COMMISSION HEREBY GIVES NOTICE THAT:-

Except with the prior written consent of the Commission, such consent to be granted by any two Executive Directors of the Commission:

1. Pursuant to section 204(1) of the Ordinance, DA YUE Financial Group Limited (**Specified Corporation**) is prohibited from carrying on any business, whether directly or through agents, which constitutes regulated activities for which it is licensed by the Commission.

2. Pursuant to section 205(1) of the Ordinance, the Specified Corporation is prohibited from:

   (a) disposing of or dealing with any relevant property (as defined in section 205(2) of the Ordinance) in any manner; or

   (b) assisting, counselling or procuring another person to dispose of or deal with any relevant property in any manner,

   except with prior written notification to the Commission and prior written consent granted by an Executive Director of the Commission, the Specified Corporation may pay operational expenses incurred by the Specified Corporation in the ordinary course of business.

3. For the avoidance of doubt, the prohibitions imposed under section 205(1) of the Ordinance shall not apply to the deposit of money into an account the Specified Corporation maintains with an authorized financial institution (as defined in section 1 of Part 1 of Schedule 1 to the Ordinance).

4. Pursuant to the provisions of section 217 of the Ordinance, an application may be made to the Securities and Futures Appeals Tribunal for a review of the Commission's decision to impose the prohibitions by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, pursuant to the provisions of section 208 of the Ordinance, the Specified Corporation or a person affected by the prohibitions may apply to the Commission for the prohibitions imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Dated this 23rd day of November 2026

For and on behalf of
Securities and Futures Commission

Julia Leung
Chief Executive Officer

Statement of Reasons

Pursuant to Section 209(2) of the Securities and Futures Ordinance (Cap. 571)

(Ordinance)

1. DA YUE Financial Group Limited (**Specified Corporation**) is a corporation licensed under the Ordinance to carry on Type 2 and Type 5 regulated activities.

2. It appears to the Securities and Futures Commission (**Commission**) that:

   (a) the property of the Specified Corporation's clients might be dissipated, transferred or otherwise dealt with in a manner prejudicial to the interest of its clients;

   (b) the Specified Corporation is not a fit and proper person to remain licensed or to carry on any regulated activity for which it is licensed;

   (c) the Specified Corporation has failed to comply with the requirements specified in section 180(2) of the Ordinance; and

   (d) the imposition of the prohibitions set out in the Notice issued by the Commission of even date under sections 204 and 205 of the Ordinance is desirable in the interest of the investing public or in the public interest.

3. The Commission has reached this view on the basis of the following matters:

*Breach of the Securities and Futures (Client Money) Rules (**Client Money Rules**)*

   (a) The Commission has reason to believe that the Specified Corporation had used client money to meet the margin requirements and cover the futures trading losses of certain other clients (**Inappropriate Use of Client Money**).

   (b) The Inappropriate Use of Client Money may have breached section 5(1) of the Client Money Rules which requires client money held in a segregated account to remain there until it is paid out in one of the permitted circumstances.

*Breaches of the Risk Management Guidelines for Licensed Persons Dealing in Futures Contracts (**Risk Management Guidelines**)*

   (c) The Inappropriate Use of Client Money may have also breached paragraphs 48 and 49 of the Risk Management Guidelines, which prohibit a futures broker from using one client's assets to secure or settle another client's transactions and require the broker, where client positions and assets are held in an omnibus account with an executing or clearing agent, to take reasonable steps to prevent assets belonging to one client account from being used to set off or settle an overloss in another client account (i.e. any amount of trading loss of a client account which exceeds the account's net equity balance).

   (d) Further, information obtained by the Commission indicates that, as at 17 November 2026, the Specified Corporation had client payables of approximately HKD 35.8 million but held only approximately HKD 6.2 million in client accounts at banks and third-party execution brokers, resulting in an aggregate client money shortfall of approximately HKD 29.6 million. Around 270 clients held credit balances with the Specified Corporation and were therefore affected (**Client Money Shortfall**). There is presently no clear evidence

demonstrating that the Specified Corporation will have sufficient financial resources to fully replenish the shortfall.

(e) The Client Money Shortfall placed the Specified Corporation in breach of paragraph 50 of the Risk Management Guidelines which requires a futures broker, where a counterparty sets off a client account's overloss against other client accounts' assets held in an omnibus account, to remedy the resulting shortfall in the other client accounts' assets as soon as reasonably practicable, including by depositing an amount of its own cash equal to any amount of the relevant margin call which remains unsettled.

(f) The Client Money Shortfall arose from significant deficiencies in the Specified Corporation's risk management framework and controls, highlighting its failure to comply with the management control requirements in the Risk Management Guidelines such as paragraphs 16, 25 and 33, which require a futures broker to: (i) establish prudent market risk limits which are commensurate with its financial and management capabilities; (ii) not trade futures contracts for a client unless the client has provided sufficient collateral to meet the applicable margin requirement; and (iii) strictly enforce its margin policies, respectively.

(g) Clients' trading exposures were allowed to accumulate to such a significant level without effective intervention, reflecting a serious failure of senior management oversight. The Risk Management Guidelines require senior management to ensure that the Specified Corporation has policies and procedures to identify, monitor and manage material risks effectively and promptly. The Specified Corporation's senior management failed to ensure that adequate risk management policies and procedures were established and enforced.

*Breach of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**)*

(h) The Inappropriate Use of Client Money and Client Money Shortfall also revealed serious deficiencies in the Specified Corporation's arrangements for safeguarding client assets. These failures allowed the clients' losses to exceed their respective net equity balances, resulting in losses being borne by the Specified Corporation and other clients, and demonstrating that the Specified Corporation failed to adequately protect its clients from financial loss. This raises serious concerns as to whether the Specified Corporation had complied with paragraph 11.1(a) and General Principle 1 of the Code of Conduct, which require a licensed person to: (i) ensure that client assets in its possession or control, or in the possession or control of a third party on its behalf, are adequately safeguarded; and (ii) act in the clients' best interests, respectively.

(i) The Commission also has evidence indicating that the Specified Corporation's systems may have been manipulated to bypass its margin controls.

(j) The significant deficiencies in the Specified Corporation's risk management framework and controls also raise doubts about its compliance with the requirements in General Principle 3 and paragraph 4.3 of the Code of Conduct, which respectively require a licensed person to: (i) have and employ effectively the resources and procedures which are needed for the proper performance of its business activities; and (ii) have internal control procedures and financial and operational capabilities which can reasonably be expected to protect its

operations and clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.

Commission's Conclusions

4. The matters described above show that the Specified Corporation had failed to comply with the following statutory and regulatory requirements as specified in section 180(2) of the Ordinance:

   (a) the Client Money Rules, made under section 149 of the Ordinance, which prescribe how licensed corporations and their associated entities must treat and deal with client money of the licensed corporations;

   (b) the Risk Management Guidelines, published under section 399 of the Ordinance, which supplement the control requirements applicable to licensed persons dealing in futures contracts; and

   (c) the Code of Conduct, published under section 169 of the Ordinance, which details the standards expected of licensed persons in conducting their business.

5. In view of the nature and extent of the failures described above, the Commission considers that the Specified Corporation's failures to comply with the Client Money Rules, the Risk Management Guidelines, and the Code of Conduct call into serious question its fitness and properness to remain licensed and to carry on its regulated activities.

6. The failures described above also give rise to concerns that the property of the Specified Corporation's clients might be dissipated, transferred or otherwise dealt with in a manner prejudicial to their interests.

7. In the circumstances, the Commission considers it desirable in the interest of the clients of the Specified Corporation, and in the wider interest of the investing public or in the public interest, to impose on the Specified Corporation the prohibitions stipulated in the Notice to which this Statement of Reasons is attached.

Dated this 23rd day of November 2026

For and on behalf of
Securities and Futures Commission

Julia Leung
Chief Executive Officer